

# State of Finance for Nature Report

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## Topic- Environment and Ecology [GS Paper-3]

**Context-** Recently, the second edition of the State of Finance for Nature report was published.

### Key Highlights

- The State of Finance for Nature report was published jointly by the UN Environment Programme (UNEP) along with the Economics of Land Degradation initiative of the Federal Ministry for Economic Cooperation and Development (BMZ) of Germany, the United Nations Convention to Combat Desertification (UNCCD) and the European Commission.

### Key Findings of the Report

#### Current Financial Flows:

- Current public and private financial flows to Nature Based Solution are estimated to be USD 154 billion per year.
- Public funds make up 83% of the total whereas the private sector contributes approximately 17%.

#### Changes in NbS Finance Flows:

- Total finance flows to Nature Based Solution have improved by USD 3.9 billion from

USD 150 billion (SFN 2021) to USD 154 billion per year.

- This data represents year-on-year growth in investment of 2.6% in real terms across the sum of public and private financial flows.

#### **Investment in Marine NbS and Protected Areas:**

- SFN 2022 has broadened the scope by including marine nature-based solutions and detailed assessment of protected area finance.
- Finance flows to marine NbS are roughly USD 14 billion, 9% of total terrestrial and marine.
- Annual domestic government expenditure in marine NbS is over USD 10 billion per year, which includes spending on marine protected areas, sustainable management of fisheries and research and development of fisheries.

#### **Nature-negative Financial Flows:**

- Public financial support for nature-negative activities ranges from USD 500 to 1,100 billion per year in the current scenario, which is three to seven times larger than current investments in NbS.

## **Recommendations of the Report**

#### **Investment in Nature Based Solution:**

- Without the growth in investments in nature-based solutions to USD 384 billion/year by 2025, the goals of climate change, biodiversity, and land degradation will not be met.
- There is also a need to double the funding for NbS and reduce it for activities that increase Greenhouse Gas Emissions (GHG).

#### **Private Investments:**

- Private sector actors need to combine 'net zero' with 'nature positive'.
- For this, private companies should create a sustainable supply chain, reduce activities that negatively impact climate and biodiversity, offset any unavoidable activities through high-integrity nature markets, pay for ecosystem services and invest in nature-positive activities.

#### **Increase Inclusion in Financial Systems:**

- In order to scale up NbS investments, both public and private sectors must incorporate just transition principles that safeguard human rights.
- A Just Transition involves maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any challenges including through effective social dialogue among all groups impacted, and respect for fundamental labour principles and rights.

#### **Nature-based Solution(NbS)**

- The Nature based solution refers to sustainable management and use of nature to tackle socio-environmental challenges, which range from disaster risk reduction,

climate change and biodiversity loss to food and water security as well as human health.

- NbS creates harmony between people and nature, enables ecological development and also represents a holistic, people-centred response to climate change.
- Thus, NbS underpin the Sustainable Development Goals, as they support significant ecosystem services, biodiversity, and access to fresh water, improved livelihoods, healthy diets and food security (organic agriculture) from sustainable food systems.
- Also, NbS are an essential component of the overall global effort to achieve the goals of the Paris Agreement on Climate Change.

### **United Nations Environment Programme**

- The United Nations Environment Programme is a leading global environmental authority established on 5th June 1972.
- The UNEP sets the global environmental agenda, promotes the sustainable development within the United Nations system, and serves as an authoritative advocate for global environment protection.
- Major Reports of it include Emission Gap Report, Adaptation Gap Report, Global Environment Outlook, Frontiers, Invest into Healthy Planet.
- Major Campaigns of the UNEP are Beat Pollution, UN75, World Environment Day, Wild for Life.
- Its Headquarter is situated at Nairobi, Kenya.